

FISCAL NOTE

HB 3378 - SB 3251

March 19, 2004

SUMMARY OF BILL: Revises contractor liability limitations. Under current law, contractor liability for goods or service contracts is a minimum of two times the value of the contract. According to the provisions of this bill, contractor liability would be reduced to the direct damages recoverable under law, not to exceed two times the value of the contract. The bill also expands the power of the commissioners of the Department of General Services and the Department of Finance and Administration to negotiate lower limitations of liability.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - Reduces potential recoveries by the state and increases state liability by an amount estimated to exceed \$5,000,000.

Estimate assumes:

- In FY02-03, the Department of Finance and Administration issued 290 *fee for service contracts* for over \$288,000,000, an average of over \$993,000 per contract.
- In FY02-03, the Department of General Services issued 227 *statewide term contracts* with a total value of \$2,058,683,123 and 690 *agency term contracts* with a total value of \$48,582,288.
- Failure of a contractor could result in multi-million dollar losses to the state and expose the state to claims by injured third parties. The state would be liable for all damages after the contractor paid twice the contract value.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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